

1 KIAWAH ISLAND UTILITY, INC.

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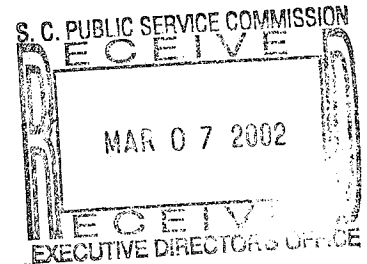
2 DOCKET NO. 2001-164-W/S

3 PRE-FILED DIRECT TESTIMONY OF MAYOR JAMES V. PIET

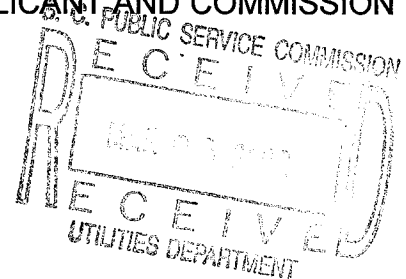
4 BEFORE THE SOUTH CAROLINA PUBLIC SERVICE COMMISSION

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6 Testimony Prepared: March 5, 2002

7 Hearing Date: March 13, 2002



9 THIS TESTIMONY IS FILED PURSUANT TO PSC ORDERS DATED JANUARY 15,  
10 2002. THE INTERVENOR RESERVES THE RIGHT TO SUPPLEMENT THIS  
11 TESTIMONY AND PROVIDE FURTHER RESPONSIVE TESTIMONY IN RESPONSE TO  
12 THE TESTIMONY THAT WILL BE PREFILED BY THE APPLICANT AND COMMISSION  
13 STAFF.



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16 MICHAEL A. MOLONY: PLEASE STATE YOUR NAME AND CURRENT  
17 OCCUPATION.

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19 MAYOR JAMES V. PIET: My name is James V. Piet. I live at 127 Bufflehead Drive,  
20 Kiawah Island, South Carolina. I am currently Mayor of the Town of Kiawah.

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22 MR. MOLONY: WHY DID THE TOWN INTERVENE IN THIS MATTER?  
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1 MAYOR PIET: We intervened because it involves issues that are of concern to the  
2 town with regards to the proposed changes in rate structure for both residential and  
3 commercial customers.  
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5 MR. MOLONY: WHAT EXACTLY ARE YOUR CONCERNS REGARDING THE RATE  
6 INCREASE?  
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8 MAYOR PIET: First and foremost, we are concerned about the impact the rate increase  
9 has on the approximately 3000 property owners and 1200 residents on Kiawah Island.  
10 Contrary to many comments I have heard, a large number of these individuals live on a  
11 fixed income and certainly have no alternative but to look to this Commission to protect  
12 them from increases that are not justified.  
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14 MR. MOLONY: DO YOU BELIEVE THIS INCREASE IS JUSTIFIED?  
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16 MAYOR PIET: No, I do not. Once again, I reiterate our concern and deeply regret that  
17 we have to continue to appear before the Commission to intervene in these cases which  
18 has become an almost cyclical problem on the island. We believe the Utility has,  
19 through a series of transactions with its parent, placed itself in great debt and unless  
20 this Commission takes action to stop this continued request for relief, we will be back  
21 before the Commission again regardless of the Commission's decision in this case.  
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23 MR. MOLONY: WHAT DO YOU MEAN BY "UNBEARABLE RATE CYCLE"?

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MAYOR PIET: Over the last decade, Kiawah Island Utility has filed four rate increase applications with the Public Service Commission. I would venture to say that is more than virtually any other water and sewer utility in the state and certainly strains the resources and relationship between the Town, its major developer, KRA and the KRA subsidiary, the Kiawah Island Utility Company.

MR. MOLONY: DO YOU BELIEVE THE UTILITY COMPANY SHOULD BE ENTITLED TO ANY PORTION OF THE RATE INCREASE?

MAYOR PIET: No, I do not. Certainly, as an elected official, I cannot simply raise taxes since elected officials have a responsibility to ensure that they judiciously manage their affairs. As Commissioners, you also have the responsibility to look out for the interests of the public and, without your intervention and protection, we have no alternative but to continue to intervene and protect our interests in ensuring that the rates be fair and reasonable.

MR. MOLONY: DO YOU BELIEVE THE RATES ARE FAIR AND REASONABLE?

MAYOR PIET: No, I do not. I understand that there have been purchased water increases and other expenses that are referenced in the application; however, I see nowhere in the application nor in the testimony, of any efforts to control costs. There are two sides to the equation and rate payers cannot be expected to bear any and all

1 increased costs without some effort to minimize them by the Utility Company. Unless  
2 this Commission directs the Utility Company, by specific order and/or denial of this rate  
3 increase, it has no incentive to tighten its belt and run a more efficient operation.  
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5 MR. MOLONY: DO YOU BELIEVE THE UTILITY SHOULD BE ALLOWED AN  
6 APPROPRIATE OPERATING MARGIN?  
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8 MAYOR PIET: Yes, certainly the Utility Company should be allowed a reasonable  
9 operating margin but nowhere near that they are requesting in this case. We have  
10 analyzed the previous rate orders of the Commission and believe that the operating  
11 margins approved in those cases are significant and are more than adequate for the  
12 successful operation of the Utility. We certainly hope that the Commission would grant  
13 no more than the operating margin in the range of that suggested by our expert witness  
14 in this case.  
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16 MR. MOLONY: WHAT ARE YOUR RECOMMENDATIONS TO THE COMMISSION.  
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18 MAYOR PIET: First, I would recommend that the Commission deny this rate increase,  
19 in full, to stop this continued cycle of rate applications by the Utility Company.  
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21 Second, I would implore the Commission to order the Management Audit that  
22 has been discussed for many months now, which we believe will result in a resolution of  
23 the need for continued intervention on issues of concern to the Town and its residents,

1 specifically as they relate to the interrelationship between the parent, KRA and its

2 subsidiary, KIUC.

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4 MR. MOLONY: DOES THIS CONCLUDE YOUR TESTIMONY?

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6 MAYOR PIET: Yes, at this time.